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December 17, 2010

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Arizona Corporation Commission

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DEC 17 2010

Commissioner Sandra Kennedy
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

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AZ CORP COMMISSION
DOCKET CONTROL

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Re: *Your Letter of November 18, 2010; Docket No. ACC-00000-A-10-0466*

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Dear Commissioner Kennedy:

The Arizona Investment Council ("AIC") is pleased to respond to your letter, which expresses a desire to reform the ratemaking process to speed the time it takes to process rate requests. AIC has been a consistent advocate of streamlining administrative and regulatory processes at the ACC. In 2008, AIC authored "Streamlining Administrative and Ratemaking Processes of the Arizona Corporation Commission," in which we identified several key areas in which the ACC could improve its ratemaking processes. As we stated in our 2008 report (which is available on-line at [http://arizonaic.org/images/stories/pdf/Streamlining Administrative & Ratemaking Processes of the ACC.pdf](http://arizonaic.org/images/stories/pdf/Streamlining_Administrative_&_Ratemaking_Processes_of_the_ACC.pdf)), efforts that inject processing efficiencies in rate matters provide clear benefits to the Commission, regulated utilities and utility customers.

Also, as you point-out in your November 18, 2010 letter, placing new rates into effect on a timely basis enables regulated utility companies to maintain financial health to provide customers with the critical services they need.

In reviewing your letter, AIC offers the following comments.

AIC commends your proposal for enabling the companies a high degree of flexibility in choosing a rate processing path. Your options 2, 3, and 4 would enable companies to implement interim rates pending a final decision of the Commission. Option 1 would follow the current time path as set forth in the Commission's rules for processing rate filings. As we understand your proposal, filing companies would be able to choose whichever method best fits their needs, circumstance and risk tolerance.

AIC believes implementation of interim rates could be appropriate if implemented on a case-by-case basis. Of the three interim rate options identified in your letter, AIC believes option 3 — which allows interim rates to take effect, subject to refund, following the issuance of the ACC Staff recommendation on the filing — offers an excellent approach for speeding rate relief for many companies. Option 2 would also be an acceptable approach for some companies, because it would provide assurance of some rate relief if the Commission were unable to issue a final decision within one year. However, we believe option 4, which would allow interim rates to become effective immediately following a sufficiency finding, could prove problematic and lead to challenges by third parties. AIC also believes any amounts as "penalties" on top of

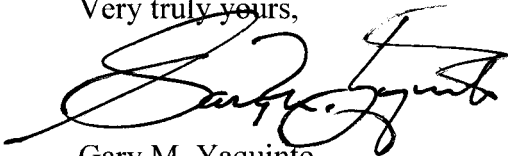
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refunds plus a reasonable interest rate are inappropriate and inconsistent with the objective of simply making the customer whole if an interim rate is later found to have been too high.

AIC also believes the current rate setting process, identified as option 1, could be improved to reduce the time it takes the Commission to enter a final decision. If the Commission reduces the time it takes to process rate filings to final decision, companies would be provided an acceptable option short of the need to implement rates on an interim basis.

In closing, AIC appreciates your interest in reducing the time it takes to process rate filings. We look forward to working with you and the Commission in moving this process forward.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary M. Yaquinto", written over a horizontal line.

Gary M. Yaquinto
President

Original and 13 copies filed with Docket
Control this 17th day of December, 2010.